



Senators want higher deposit insurance

By Christina Mendez

Monday, October 20, 2008

To help restore confidence in and strengthen the country's banking system, three senators are pushing for an increase in the maximum deposit insurance from P250,000 to P500,000.

Senators Edgardo Angara, Manuel Roxas II and Francis Escudero have separately sought the passage of a bill that would double the insurance of bank deposits by the Philippine Deposit Insurance Corp. (PDIC).

"Financial reforms must be sustained to cushion the perceived impacts of the global financial turbulence. Our purpose is to allay fears of the investing public and restore confidence in the Philippine banking system and the Philippine economy," said Angara, who chairs the Senate committee on banks, financial institutions and currencies.

"This can be done by instituting protective or remedial measures to ensure that the Philippine financial market is resilient enough to weather the crisis. Financial reform in the PDIC is very timely since it aims to safeguard the interest of the depositing public," Angara explained.

The senators noted that the PDIC is a vital institution that acts as a deposit insurer, statutory receiver, and co-regulator of banks to promote the interest of the depositing public and contribute to the promotion of financial stability in the market.

Republic Act 3591, as amended, or the Charter of the Philippine Deposit Insurance Corporation, guides the operations of the PDIC and caps the maximum deposit insurance coverage (MDIC) at P250,000.

"The government is working with other countries, along with World Bank (WB) and International Monetary Fund (IMF), on a multilateral level. Now for our part, let us do our homework and give our banking system a much needed lift to weather this financial turbulence," said Angara.

He filed Senate Bill 2687 seeking to amend the charter of the PDIC to increase its maximum deposit insurance coverage from P250,000 to P500,000.

Roxas had also sought additional insurance coverage for bank depositors from P250,000 to P500,000 to protect savings, amid threats of a global financial meltdown.

"We are seeing just the beginning of hard times. We have seen the collapse of major institutions in Wall Street, and there is a clear need for greater discipline in the markets.

Locally, our people need assurance that their lifelong savings are safe as we find more lasting solutions that will protect our citizens from this global financial contagion,” Roxas said.

He, however, said this should be a temporary measure to provide stability to the markets, and the old insurance coverage should be re-established after three years.

“An increased coverage for three years is long enough for the system to stabilize. Hopefully, by the end of this period, the global financial markets would have stabilized and it would be safe to go back to a maximum coverage of P250,000,” he said.

Other measures Roxas filed to cushion the impact of the crisis were a 90-day moratorium on foreclosures, to protect those unable to pay off their loans or mortgages; elimination of penalties for early withdrawal of bank deposits; and corporate income tax credit for each additional permanent employee hired, as an incentive for employers to provide job security.

He also pushed for P100-billion realignments in the 2009 budget to focus on food security, job security, education and health, and protection of the country’s financial institutions.

Escudero, for his part, filed SB 2678 which seeks to increase the maximum deposit insurance coverage per depositor and investor from P250,000 to P500,000.

In increasing the statutory limitation for the maximum deposit insurance coverage, Escudero, chairman of the Senate ways and means committee, said the bill seeks to strengthen the very foundation of the banking system and continue to foster confidence among investors and depositors.

Escudero said the bill would provide the needed requirement to maintain and promote stability in the country’s banking sector.

“The current global financial crisis, now being dubbed as the great financial depression of modern times, if not even worse, requires appropriate attention and prompt consideration,” he said.

“This bill benefits not only individual depositors but the banking sector and officials as well. We might not need and may not afford any bailout package at the moment, but this bill provides the needed requirement to maintain and promote stability in the banking sector,” he said.

With the Philippine Deposit Insurance Co. (PDIC) supporting the doubling of the maximum insurance coverage proposal, Escudero said the move projects 97.2-percent coverage of all deposit accounts in the banking system, compared to 95.1 percent in the present maximum coverage.

